

NAPIER^o
PORT
OPPORTUNITY
CENTRAL

PORT OF NAPIER LIMITED
ANNUAL REPORT 2015



NAPIER PORT POSITIONING FOR THE FUTURE

Opportunity Central: We're a rich heartland filled with opportunity. Our natural food and fibre and water purity are world-class, grown on our plains by passionate people and exported to the world through Napier Port. They demand high premiums in the biggest global markets.

Opportunities abound. Central New Zealand is taking them.



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MR APPLE



NAPIERS PORT

HELPING
CENTRAL
NEW ZEALAND
SEIZE
OPPORTUNITIES



CHAIRMAN AND CEO OVERVIEW

We believe this past year has been one spent strongly positioning Napier Port for the future. The building blocks are now largely in place to ensure we're ready for the opportunities that arise from our region in this current phase of growth while consolidating our position as central New Zealand's leading port.

The Port has invested some \$34 million over the past year to help build terminal capacity and ensure we're well placed to handle the region's growing cargo base and the 13 international container lines calling at Napier Port.

This has included buying and installing two new mobile harbour cranes to deliver a faster and more consistent performance for our customers at our busiest times.

The terminal increased its empty container storage space by more than 50 per cent, largely through the opening of our off-port empty depot, and our capacity to store refrigerated shipping containers is also much greater thanks to the investment in specialised reefer towers.

More staff, container handling equipment and changing the way we process trucks at the container terminal gate have led to trucks being processed faster and more containers being loaded per hour.

The company has also extended its reach to attract cargo from out of the region with the opening of the Longburn Intermodal Freight Hub in Palmerston North.

While the company made significant investments, container volumes continue to grow at pace.

This year the Port processed for the first time ever more than a quarter of a million TEUs (twenty-foot equivalent units), up 16.5 per cent on last year's record. This was achieved despite the significant loss of dairy volume due to Fonterra's supply chain realignment. Napier Port remains the largest port in central New Zealand, the fourth-largest container terminal in the country, and is a crucial part of New Zealand's export-led economy.

Napier Port's success and growth is largely a reflection of the regional businesses the Port serves. This year we wanted to show just a few of the faces we are working with to help generate a better and more prosperous region. You will see a few examples of these in the pages that follow.

Against the backdrop of investment and growth, the company also improved its health and safety performance with no lost-time injuries. We are on a journey of active engagement with our staff and a continuous health and safety improvement

culture to which the directors, senior management and all of our staff are committed.

Napier Port also remains focused on operating sustainably and contributing positively to the community within which we operate. This year, despite an increase in container volumes, the company's carbon footprint reduced. An active sponsorship programme to build a better and healthier community was also maintained.

While it's been a difficult year for some of New Zealand's key export commodities due to tougher market conditions, particularly in China for logs, timber and pulp exports, volumes overall are set to increase in the years ahead.

With our world-class produce, the use of the latest technologies, purpose-built infrastructure and the depth of talent in our region, central New Zealand is well placed to take advantage of the global increase in consumption of food, water and fibre. How the Port will accommodate this well into the future, along with increasing ship sizes, has been a significant focus for us in recent times.

In the coming 10 years we will need to continue our commercially-focused investment programme to ensure we can continue to efficiently service our region's exporters and importers as volumes

grow and the international shipping industry continues to evolve. Both senior management and the directors are working through the options to provide us with more berthing alternatives and greater flexibility to service our customers and the region's exporters and importers.

Thank you for your support this year and we look forward to working with you in the year ahead as we continue to cement our position as the port of choice for central New Zealand.




ALASDAIR MACLEOD
CHAIRMAN


GARTH COWIE
CHIEF EXECUTIVE



YEAR'S HIGHLIGHTS



\$34 MILLION CAPITAL INVESTMENT

Up from \$19m

TRUCK TURNAROUND TIME
48% faster



243 FULL-TIME EMPLOYEES

Up from 210



1.108

MILLION TONNES LOG VOLUME

Down from 1.291m



LOST TIME INJURIES

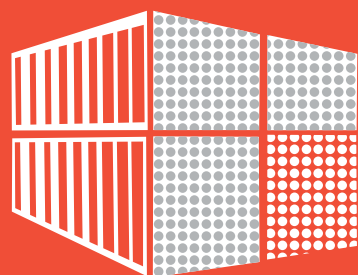
Down from 1



\$12.9 MILLION

REPORTED NET PROFIT AFTER TAX

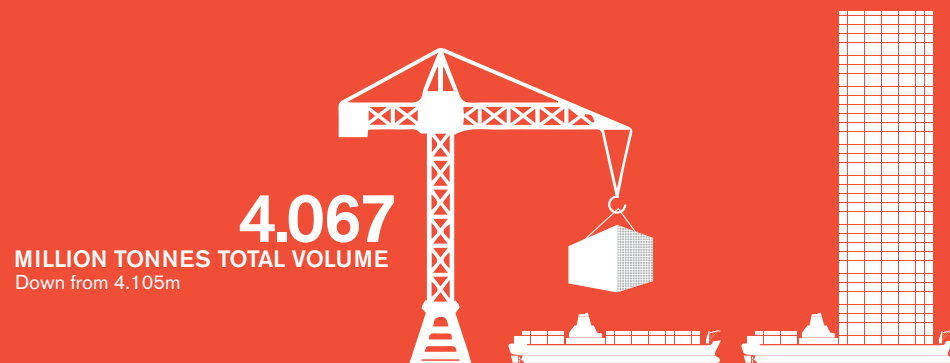
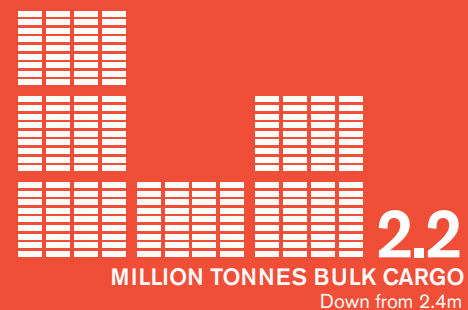
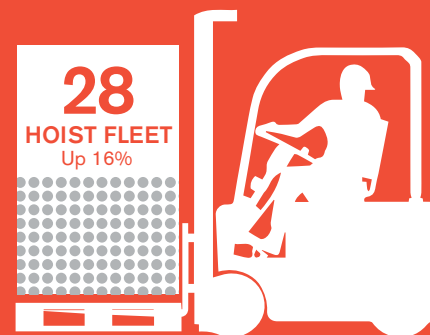
Down 3.7%



256,438 TEUS
Container volumes up 16.5%



56
CRUISE SHIPS
Up from 47



46 MOVES PER HOUR
Average vessel exchange up 21% in the peak



MR APPLE

“A consistently refreshing, tasty and blemish-free apple is what makes our customers come back for more. Getting our apples to market quickly is key to preserve the quality and presentation. The Port plays a vital role in achieving that, and the changes they are making to boost productivity and efficiency will help us to make the most of the opportunities that lie ahead.” TONY KNIGHT LOGISTICS MANAGER – POST HARVEST, MR APPLE.



INVESTMENT AND DEVELOPMENTS: POSITIONING FOR FURTHER GROWTH

This past financial year has seen Napier Port invest some \$34 million in its processes and infrastructure to help build terminal capacity and ensure it is well placed to handle both the region's growing cargo base and the 13 international container lines calling at Napier Port.

With better people backing them, Napier Port looks for the best, most efficient answers to the challenges and opportunities presented. Here are some of the major developments Napier Port has focused on in the past financial year.

COMPLETION AND ARRIVAL OF NEW ZEALAND'S FIRST MOBILE HARBOUR CRANE SIMULATOR AT A PORT

Napier Port recently purchased and commissioned a world-class, state-of-the-art crane simulator to train new drivers and continually develop the capability of existing mobile crane drivers in a safer, more effective environment. The simulator is the first of its kind in New Zealand. Built and developed in Canada, it offers the most realistic simulations in the world today and is an exact replication of the Port's shipside and crane operating environment. The project has also seen Napier Port collaborate with Port Flinders in Adelaide and Ports of Auckland, both of which are commissioning their own simulators.



“FOR THE FIRST TIME IN THE PORT’S HISTORY, NEARLY ALL STAFF... ARE WORKING TOGETHER IN A SAFER, PURPOSE-BUILT AND FUTURE-PROOFED BUILDING.”

BRINGING OUR PEOPLE CLOSER TOGETHER IN A FUTURE-PROOFED BUILDING

The end of this financial year also saw most of our staff move into our new main office building. For the first time in the Port's history, nearly all staff – corporate, operations (including drivers and planners) engineering and marine departments – are working together in a safer, purpose-built and future-proofed building.

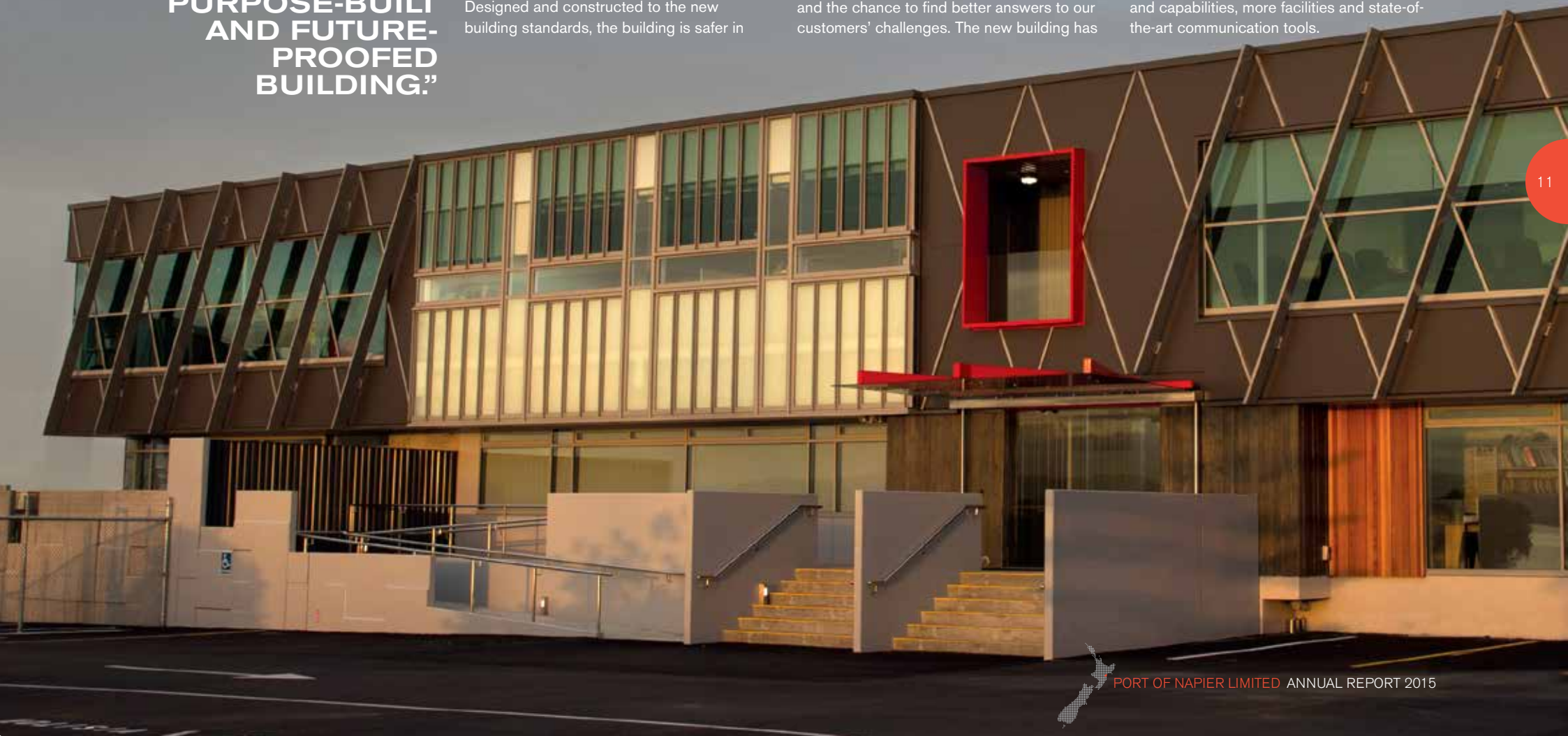
Designed and constructed to the new building standards, the building is safer in

the event of an earthquake and tsunami.

In recognition of the Port's role in supporting the community and enabling business, the building has been built in accordance with the requirements of 'importance level 3' as defined in the building code.

With staff working physically closer, more opportunities are arising for collaboration and the chance to find better answers to our customers' challenges. The new building has

also created more space on port. Located on the boundary it takes traffic off site, making the Port safer with less people entering operational areas, and the land where the old buildings currently are will be used to hold transit cargoes and introduce additional intermodal handling capacity. The new office is modern with significantly better IT solutions and capabilities, more facilities and state-of-the-art communication tools.



OPENING OF OFF-PORT EMPTY CONTAINER DEPOT

Napier Port's new 7-hectare off-site empty container depot in Napier's industrial area of Pandora was opened in December in response to the rapidly growing cargo volumes. The depot has increased overall empty storage capacity by more than 25 per cent, with the depot able to handle around 7,000 empty containers at any one time, freeing up around 4,500 TEUs of terminal space on port.



REALIGNMENT AND UPGRADE OF THE CONTAINER TERMINAL GATE FOR FASTER PROCESSING

The container terminal gate facilities and processes were upgraded to help build capacity and reduce processing times. This included moving the entrance gates further into the Port while also increasing the number of truck queuing lanes and installing intercoms. We also increased our container terminal and Thames Street depot hours during the high season to help meet demand.

At the same time Napier Port's vehicle booking system (VBS) was successfully introduced on 6 July following close collaboration with transport operators. The VBS will be a key tool in the future as volumes grow and when space is at a premium. Benefits include ensuring truck turnaround times remain realistic during the peak season (facilitating the efficient movement of product from local pack points), allowing potential cost savings for transport operators through efficiency gains and the ability to plan their deliveries more accurately (reduced truck waiting times and better use of fleets, for example). It also allows the Port to more efficiently match terminal capacity with programmed demand.



STRONG COMMITMENT TO GENERAL CARGO CONTINUES

Napier Port has also invested heavily in its general cargo activities, spending more than \$7 million to seal a total of 6.5 hectares of the main log yard. This significantly enhances our storage capacity, reduces dust, improves productivity and also reduces bark waste to landfill. The bark can now be recycled more efficiently, further improving Napier Port's own sustainability initiatives. At the same time, the Port has committed to significantly upgrading the Ravensdown fertiliser conveyor system.

PURCHASE AND DELIVERY OF TWO NEW CRANES

The Port's two new mobile harbour cranes arrived at the end of August and will start commercial operation in November 2015. Their arrival means that the Port has four similar front-line, high-spec cranes it can operate continuously to unload vessels, with a further two support cranes as backup. This will help the Port to deliver a faster and more consistent performance for our customers at our busiest times, thanks to their improved technology, higher cycle speeds and impressive lifting capacity. The boom length also allows the Port to service wider vessels up to a beam of 40 metres if future ship changes dictate, significantly wider than the current Panamax class of vessel at 32-metre beam.

◦ **Longburn Intermodal Freight Hub**

This year also saw the opening of the Longburn Intermodal Freight Hub in Palmerston North, a joint venture between Napier Port, Ports of Auckland and Manawatu logistics provider, Icepak. Longburn is a key initiative to help Napier Port attract cargo from out of the region, placing Napier Port's container services at the doorstep of Manawatu exporters and importers. The facility also aims to provide shipping lines with natural cost advantages by providing storage and depot services to a region that currently has few options. This is the first initiative with competing ports collaborating to lower the overall costs within the supply chain for both shipping lines as well as for exporters and importers in the region.



◦ **Investment in Reefer Towers and Container Handling Equipment**

Storage space for refrigerated shipping containers (reefers) increased by 30 per cent at the end of February with the Port investing further to reflect the growing numbers of refrigerated containers destined for export. The new towers allow the Port to stack reefer containers four high, not only increasing storage capacity, but also reducing running distances from stack to vessel. Further investment in reefer towers is planned for the next financial year. The Port increased its container handling equipment by 16 per cent during the year with the purchase of \$2.5 million of new equipment to ensure its handling capabilities matched the demand through the peak season.

Other Investments and Developments This Year:

- Rearming of Napier Port's breakwater to provide increased protection from heavy seas and swell events, and repairing the beach seawall to ensure the continued safe use of the beach by the public.
- Napier Port completed a thorough review of the main Container Berth (No. 5) Wharf to develop a forward maintenance programme and extend the life of the wharf, and completed the maintenance programme for No.2 Wharf. Double-acting bollards were also installed in key areas.
- Napier Port is participating in a dredging agreement with other New Zealand ports that will provide security in the supply of dredging services at internationally competitive rates.

DEVELOPMENT PLANS FOR THE FUTURE

Napier Port is continuing to see its container volumes grow and in the peak season there is a theoretical maximum capacity the single main container berth can handle.

At the same time, New Zealand is continuing to see larger ships. At the quarter ending June 2015, the five main New Zealand ports had increasingly large proportions of their import and export containers travelling on ships of 4,000 TEUs or more¹. The Port is well positioned to handle the next step up in container vessel size, however there is an absolute limit, be it draft, length, breadth or any combination. How the Port will accommodate this continued volume growth, increasing ship sizes and our customers' future requirements has been a significant focus in recent times. Napier Port is currently considering a range of options to accommodate these expected developments.

[1] Source: Ministry of Transport, Freight Information Gathering System report July 2014 to June 2015.



CRANE SIMULATOR

“The simulator gives drivers the opportunity to up-skill, practise difficult scenarios and build their confidence in a safe environment, without using valuable equipment. It’s also cut down the crane operator selection process by about 90 per cent – we know very quickly if someone has the right skills and hand-eye co-ordination for the job.” PHILL TAANA SENIOR CRANE OPERATOR, NAPIER PORT.



EVERGREEN

SÜD

0	BAHU0066117	13	49
4	HSCU7427344	11	96
5	HSCU4091730	23	28
6	HSCU1596228	8	75
7	HCU00225443	147	89



FINANCIAL PERFORMANCE

Napier Port's revenue increased by 7.6 per cent to \$72.1 million off the back of strong container growth.

Reported net profit after tax for the 12 months dropped 3.7 per cent to \$12.9 million; down from the previous year's record result of \$13.4 million. This result reflects the significant investment Napier Port made in people, processes and infrastructure during 2014/15. The additional expenditure provided a platform to handle increasing containerised cargo volumes and generate improved productivity in the Container Terminal for both the current year and beyond.

Napier Port's investment programme for the year was a further \$34 million, which included the purchase and delivery of two new Terex mobile harbour cranes; upgrading the container terminal gate with a new layout and additional truck lanes, and introducing a vehicle booking system; the commissioning of the Port's off-port container depot; maintenance and capital dredging; the completion of the new main office building; and paving of the main log yard (6.5 hectares).

Napier Port paid \$7.4 million in dividends to its 100 per cent shareholder, the Hawke's Bay Regional Investment Company, up 7.2 per cent on the previous year's dividend.

OPERATIONAL PERFORMANCE

TOTAL VOLUME THROUGH THE PORT REMAINS STATIC

Total cargo shipped across Napier Port during the financial year decreased marginally by less than 1 per cent to 4.067 million tonnes. Imports (representing 22.3 per cent of our volume) were up 15.4 per cent while exports (representing 77.7 per cent) were down 4.8 per cent. The slightly softer export volumes reflected the difficult trading conditions, in particular the slowdown in the Chinese market.

RECORD CONTAINER VOLUME

The Port handled a 16.5 per cent increase in container volumes from 220,048 TEUs to 256,438 TEUs following another record apple season, with the Port handling in excess of 20,000 TEUs of apples. The overall volumes achieved were extremely pleasing, despite the loss of dairy volume due to Fonterra's supply chain realignment initiatives in the North Island. Also contributing to container volumes was a change in shipping method for pulp with 200,000 tonnes now exported in containers instead of break bulk. The investments the Port made during the financial year and a longer, steadier apple season resulted in a successful peak season with no congestion and increased efficiency in processing of cargo.

FASTER TURNAROUND TIMES

Following the many initiatives made this year turnaround times improved significantly, with truck turnaround times in particular nearly 50 per cent faster and the vessel exchange rate was also up.

ANOTHER SUCCESSFUL CRUISE SEASON

With 55 cruise vessels, 93,431 passengers and 41,496 crew visiting the region, Napier Port helped to bring significant income to the regional economy again in 2014/15. The international operators are indicating Napier remains an important part of the New Zealand experience and it regularly features as one of the top ports for visitor experiences in passenger surveys. Looking ahead, operators are asking Napier Port to prepare for even larger cruise ships with a Quantum class vessel of 348 metres LOA

(length of vessel) provisionally scheduled for the 2016/17 season. Although next year only 45 vessels are scheduled, some 69 vessels are scheduled the following year.

NAPIER HANDLES THE LARGEST CONTAINER SHIPS CALLING IN TO NEW ZEALAND

Another record was broken when the container ship APL Qatar visited Napier Port in June. With a beam of 32.20 and length of 275 metres, it's the biggest container ship to visit New Zealand as part of a regular scheduled liner service at a reported capacity of more than 5,500 TEUs.

NEW WEEKLY SERVICE – NORTHERN STAR

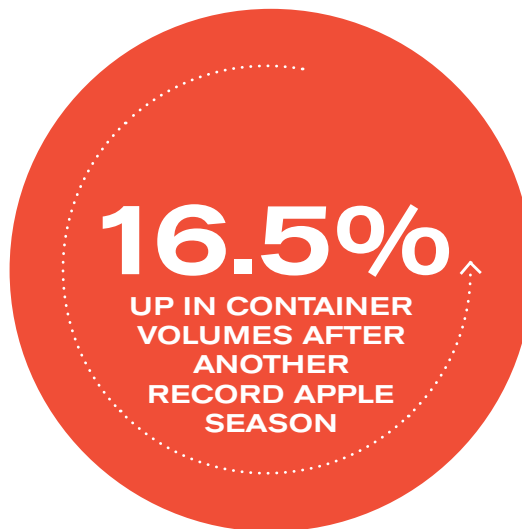
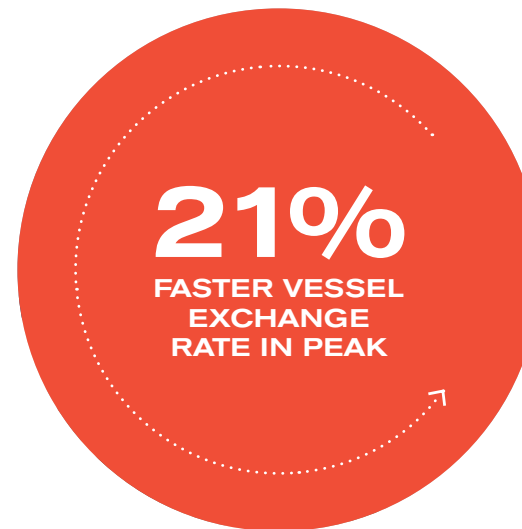
Maersk announced the introduction of Napier into the weekly Northern Star rotation at the start of October 2014. This provided Hawke's Bay shippers with even more options, and the increased competition has afforded Hawke's Bay exporters significant savings within their supply chains.

BULK CARGO DOWN BUT LONG-TERM FORECAST STRONG

Despite difficult trading conditions in China in the last half of the year, with lower export prices influencing volumes, the Port handled 1.1 million tonnes of logs and more than 2.2 million tonnes of bulk cargo overall. Bulk cargo still represents the larger proportion of our total volume at about 53 per cent. Looking towards the next financial year, we expect growth in general cargo to be flat; however, longer-term volumes should increase with log volumes expected to more than double as greater areas of the Hawke's Bay forestry estates begin to mature and move into the harvesting phase.

NEW FERTILISER TRADE STARTED

Napier Port has worked closely this year with Ravensdown to introduce shipments of urea into the region. Previously these shipments were handled through New Plymouth and Tauranga. This new trade agreement has seen Ravensdown take a new long-term lease of Shed 10 on port.





PAN PAC FOREST PRODUCTS

“Pan Pac has been growing, processing and selling quality forest products to international markets for over 40 years. We’ve built a strong reputation for delivery and we are careful about the companies we trust to provide it. Napier Port is a critical part of our supply chain and we rely on them for our products to get to market quickly, cost-effectively and in the best condition. We welcome the improvements the Port is making to support us in meeting the growing global demand for our products.” DOUG DUCKER MANAGING DIRECTOR, PAN PAC FOREST PRODUCTS.





BETTER PEOPLE

During the past year, Napier Port has focused on ensuring it recruits the best people and has invested heavily in training and professional development to grow its internal talent pool. With 33 new full-time employees across its operations at the end of the financial year, the Port increased its workforce by 16 per cent. Many of these new roles were in frontline operational and supervisor roles to help service seasonal demands, better manage the risk of fatigue and cater for overall growth.

PORT PACK STAFF HANDLE MORE THAN 35,000 TEUS

The team in Napier Port's container packing operations, Port Pack, handled a record of more than 35,700 TEUs during the year, an increase of 89.6 per cent. To accommodate the increased packing volumes, 12 new staff were employed, including a Port Pack manager, and extra shifts were established. While an increase in resources helped, the team also worked smarter, developing a new planning tool to improve visibility of forward bookings. This enabled better planning to maximise capacity.

LEADERSHIP DEVELOPMENT AND COMMUNICATION

We ran leadership courses throughout the year to help those identified as potential leaders and those aspiring to leadership to gain the skills required to lead effectively. While the importance of communication is stressed in these leadership courses, we also ran a tailored communication course for our female staff.

ENSURING A DIVERSE AND TALENTED WORKFORCE IN THE FUTURE

With further growth expected we have also been looking to the future to ensure we keep attracting the best talent and increase diversity in our workforce. To this end, we attended the Hawke's Bay Today Careers Expo for the first time, visited schools, and had schools, teachers and career advisors visiting Napier Port. The Port also plans to implement a wider work experience programme in the near future.

SEARCHING FAR AND WIDE FOR THE BEST PEOPLE

The second half of the financial year saw Gareth Jones from Liverpool join the senior management team in his new role at the Port as Container Terminal Manager. Gareth is responsible for leading all of the Port's container operations and ensuring that side of the business helps deliver on customer, business and shareholder expectations. Gareth brings 29 years' experience to the industry, 22 years in terminal management. The Port welcomes Gareth and his family to Napier and believes that he will enjoy working with the 'can-do' attitude that Napier Port and Kiwis are renowned for.



BRINGING TALENT BACK HOME

Hawke's Bay-born Kristen Lie joined the Port as Chief Financial Officer in September 2015. Originally from Haumoana, Kristen attended Havelock North High School and then Massey University before travelling and working extensively overseas. A chartered accountant by profession, Kristen has more than 21 years' financial experience along with strong commercial acumen and was excited to return to the Bay with his family.

THE NEXT GENERATION: TWO NEW GRADUATES

In an environment of continuous improvement, we embrace people who have a passion for learning and new ways of seeing things. At the start of 2015 Napier Port employed two graduate engineers. As well as providing them with the opportunity for a challenging and rewarding career, their employment is part of Napier Port's goal to ensure we have a strong leadership base now and in the future.



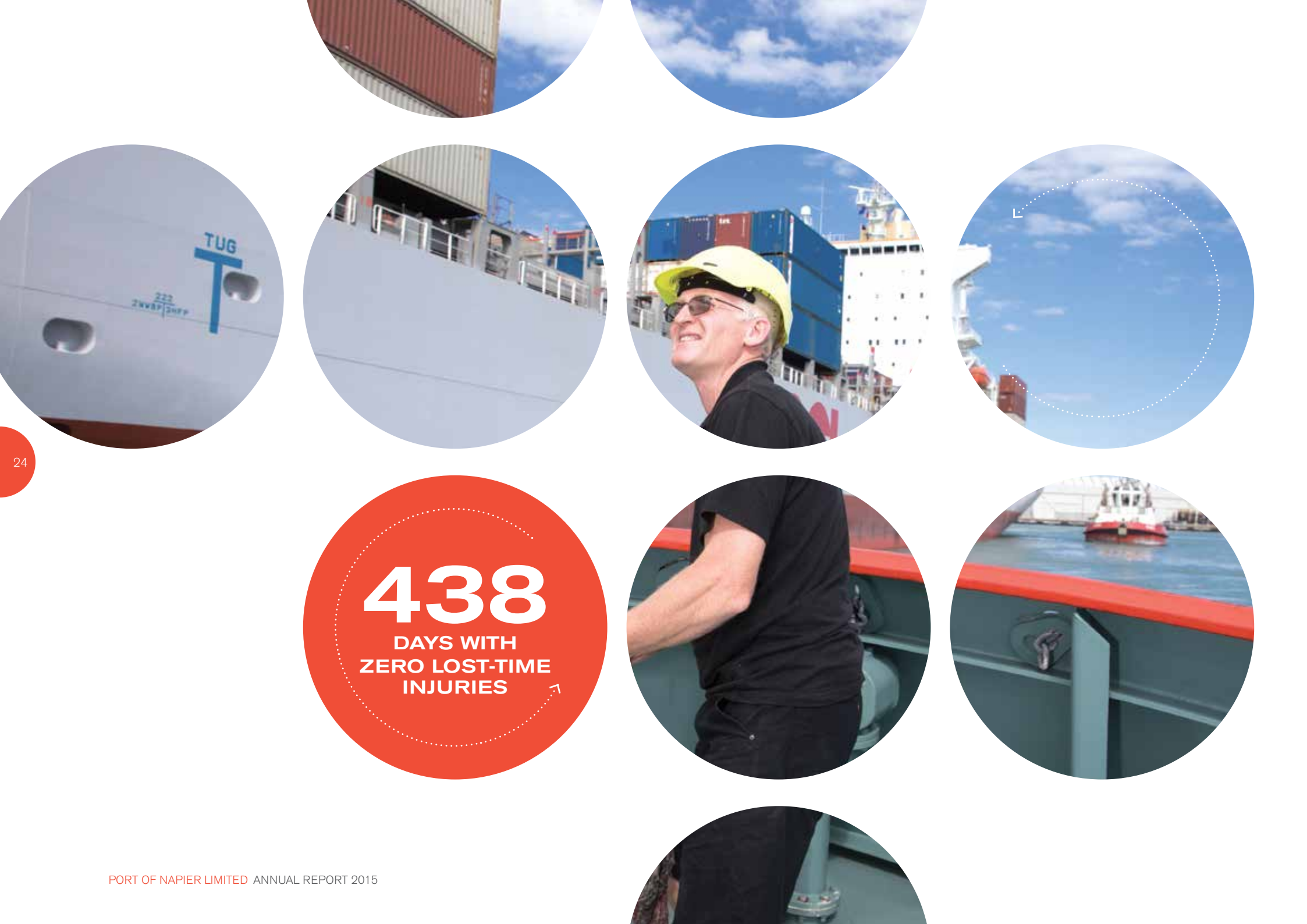




RAVENSDOWN

“We’re all about creating value and delivering optimal results for our farmer shareholders; so efficiency, security of supply and productivity are big for us. We bring in 270,000 tonnes of fertiliser through the Port each year, which is applied to nearly one million hectares of North Island land. Our farmers rely on us to deliver, and we rely on Napier Port to get it to us efficiently, when we need it and quickly.”

KIERAN MURRAY AWATOTO WORKS MANAGER, RAVENSDOWN.



438
DAYS WITH
ZERO LOST-TIME
INJURIES

SAFETY AND HEALTH

Having all Port workers return home safely from work is paramount. We are proud of the improvements we have made and of our safety-based culture, which continues to evolve. We also know we are on a journey that effectively has no end. It is a pathway that the directors, senior executives, managers, supervisors, team leaders and all of our staff share with a common purpose. We can always do more.

ZERO LOST-TIME INJURIES

Through a safety-based culture and continuous improvement, we achieved 438 days without a lost-time injury by the end of this past year. The current record is 543 days without any lost-time injuries. The importance of reporting and understanding the need for vigilance is a continual focus in staff communications. All staff have taken this message on board with the level of reporting also up for both near-misses and incidents, demonstrating our overall culture and commitment to achieving a safer workplace.

HIGHEST STANDARDS IN ACC ACCREDITATION

During the year we maintained our tertiary-level accreditation for the ACC Workplace Safety Management Practices programme. This is the highest level possible and is given for demonstrating best practice and a commitment to continuous improvement in workplace health and safety.

INVESTING IN THE SAFETY OF ALL PORT STAFF, VISITORS AND USERS

During the year, we employed two health and safety advisors who have been instrumental in delivering more frequent and targeted health and safety support. The Port is now using TapRoot® for serious health and safety investigations, which identifies the root cause and ensures robust processes are implemented to avoid further incidents.

We invested in updating and buying new equipment for safety. This included updating our weather and sea condition monitoring systems to include long wave forecasts and measurement to help us better manage the safe mooring of vessels in port. Napier Port also purchased and installed an Optimoor mooring analysis system that enables detailed assessment of mooring line systems in order to improve safety standards in tying up vessels in port. Finally, we established a dedicated digital radio channel that enables any employee to immediately register unsafe events or near misses via a simple radio call. The call automatically generates a text and email to the employee's supervisor and removes administrative barriers for operational personnel to engage in reporting.

In January, we introduced formal training of Napier Port's gantry hoist for log truck drivers following inappropriate use of the gantry and subsequent log trailer lifting chain failures. Drivers are required to complete the training in order to use the gantry and are issued with a dallas tag to operate it, preventing unauthorised users. This also requires verification that the lifting chains have been annually certified as 'fit for purpose'. Since the introduction, we have trained more than 250 operators to ensure their safety.

We also implemented random drug and alcohol testing with the support of unions and the cooperation of all staff. Of those tested during the year there were no non-negative results for the presence of drugs or alcohol.


SUPPORTING OUR PEOPLE WITH VOLUNTARY AND COMPREHENSIVE WELLNESS CHECKS

We offer a number of services to support the well-being of our employees, such as our on-site gym and trainer, therapeutic massage, flu shots, testing for prostate cancer, mole mapping and medical checks. The wellness checks have helped to identify unknown issues for some staff who have been able to take action to improve their future health and wellness prospects earlier than may otherwise have been the case.

PLANNING FOR THE NEW LEGISLATIVE AND REGULATORY ENVIRONMENT

We are executing a plan to transition to the new legislative and regulatory environment with the Health and Safety Reform Bill coming into effect on 4 April 2016. We are looking forward to the changes and are working proactively with WorkSafe NZ to ensure we continue to improve our health and safety practices.





HAWKE'S BAY BUSINESS HUB

"As a business-led economic development agency, we're passionate about retaining, growing and attracting vibrant businesses and people, and making Hawke's Bay the best regional location in which to work, invest, live and grow. Through our partnership with the Port we're able to create real opportunities, like the Hawke's Bay Business Hub. A grass-roots initiative, the Hawke's Bay Business Hub is the first of its kind in the country - the easiest place on the planet to access the best support and advice to unleash your business potential. Members of the Business Hub include New Zealand Trade & Enterprise, Councils, NZ Food Innovation Network, Business Central and Export New Zealand, Hawke's Bay Chamber of Commerce, Chartered Accountants Australia and New Zealand, The Icehouse, and Business Hawke's Bay." SUSAN WHITE CHIEF EXECUTIVE OFFICER, BUSINESS HAWKE'S BAY.



COMMUNITY AND ENVIRONMENT

The continued success and growth of Napier Port is a reflection of the wider Hawke's Bay economy. We appreciate the continual community support and are eager to play our part in shared success.



SPONSORSHIPS AND EVENTS

As a key economic enabler for the wider Hawke's Bay and the lower North Island economy, we support events and activities that build better and healthier communities and contribute positively to the region. In particular, our efforts have been focused in the following areas this past year:

- Assisting economic development in the region.
We are proud to be naming sponsor of the Napier Port Primary Sector Awards, a sponsor of the Hawke's Bay Export Awards and long-term supporters of Business Hawke's Bay, which aims to retain and attract vibrant businesses and people to the Bay.
- Building stronger communities. We are naming sponsor of the Napier Port Ocean Swim, which was held in the sheltered waters along Hardinge Road where Napier Port operates, a sponsor of Te Matau a Māui Voyaging Trust and supporters of the Cancer Society's Relay for Life. The Port is also a long-term supporter of the Hawke's Bay Optimist Yacht Trust operating at Pandora Pond.
- We also focus on education and youth – the businessmen and women, exporters and importers, and potentially our employees of the future. We are supporters of the MTG Hawke's Bay and its school education programmes through the Napier Port Education Suite, and were again the main sponsor for the Hawke's Bay's team for the Napier City delegation to the Alkmaar International Children's Games 2015.



NOISE AND TRAFFIC MANAGEMENT

While Napier Port operates within strict noise limits and resource consents, having a thriving port as a next-door neighbour can bring challenges. During this financial year Napier Port has undertaken a range of noise-control and traffic management initiatives to help minimise its impact on its neighbours, including:

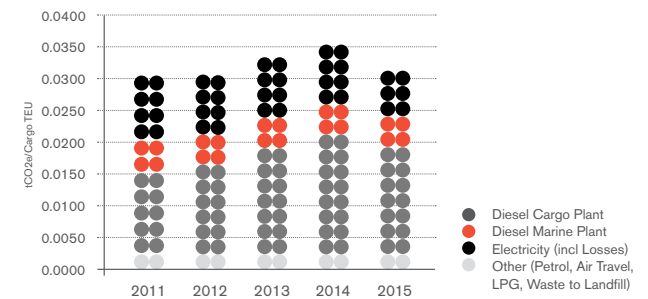
- The new forklifts now have larger, quieter engines requiring less revs to undertake tasks, and all forklifts have enhanced noise baffles to reduce engine noise levels.
- Noise is a key factor when new equipment is purchased and is included in RFP specifications.
- Wooden supports are now used for the container wash area to avoid steel on steel noise.
- Reversing alerts have now been silenced and flashing lights are used instead.
- Containers were stacked to act as sound barriers in strategic locations around the Port.
- Ship horn blasts are sounded as safety measures only.
- The location of generators has been carefully considered so that they are as far from the Port boundary as possible.
- Regular reviews, assessments and renewal of paving create a smoother and quieter travelling surface.


CARBON FOOTPRINT

With container volumes up 16.5 per cent over the past year, it was pleasing to see that fuel consumption was only up 6 per cent as a result of operational efficiency gains and changes made. This included the installation of reefer towers in the container terminal, which reduced the requirement for generator capacity and consequently the volume of diesel consumed. Napier Port also continued its focus on waste management and recycling. These combined efforts have seen greenhouse gas emissions reduced from 0.036 per TEU to 0.031 per TEU, a significant improvement on 2014.



GREENHOUSE GAS EMISSIONS





**“MORE
OPPORTUNITIES
ARE ARISING TO
COLLABORATE
WITH OUR
CUSTOMERS TO
FIND BETTER
ANSWERS
TO THEIR
CHALLENGES.”**

BETTER PEOPLE  BETTER ANSWERS



BOARD OF DIRECTORS



SENIOR MANAGEMENT TEAM



○ MARK
BABBINGTON
GENERAL
CARGO
MANAGER

○ GARETH
JONES
CONTAINER
TERMINAL
MANAGER

○ BRUCE
LOCHHEAD
PORT
SERVICES
MANAGER

○ GARTH
COWIE
CHIEF
EXECUTIVE

○ VIV
BULL
CULTURE &
CAPABILITY
MANAGER

○ KRISTEN
LIE
CHIEF
FINANCIAL
OFFICER

○ ANDREW
LOCKE
COMMERCIAL
MANAGER

CORPORATE GOVERNANCE STATEMENT

PRINCIPLES BEHIND CORPORATE GOVERNANCE

The Directors are elected by the Shareholder and are responsible for the corporate governance of the Company. Corporate governance describes how a company looks after the interests of its Shareholders.

The Board of Directors is committed to maintaining best practice governance policies and behaviours. Policies are reviewed against applicable standards detailed in NZX's Corporate Governance Best Practice Code. The Board's governance framework adheres to the majority of applicable standards as if the Company were a listed public company.

While recognising that this Code expresses principles and does not purport to determine any detailed course of conduct, the Directors support the need for the highest standards of behaviour and accountability.

The Board and Management are therefore committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Company's Code of Ethics sets out the manner in which Directors and employees should conduct themselves.

The Board recognise good governance is not merely a matter of achieving legislative compliance but ensuring that exemplary standards and behaviour are maintained. This involves the establishment and maintenance of a culture at Board and senior management level and throughout the Company to ensure that the Directors and employees deal fairly with others, with transparency and protects the interest of the Shareholder and looks after the rights of stakeholders.

ROLE OF THE BOARD AND MANAGEMENT

The primary role of the Board is the protection and enhancement of Shareholder value in Napier Port while respecting the rights of other stakeholders. Good corporate governance is core to ensuring the creation, protection and enhancement of Shareholder value.

The Board oversees the business and affairs of the Company, establishes the strategies and financial objectives with Management and monitors the performance of Management directly and through Board Committees, monitors compliance and risk management, and ensuring the Company has the appropriate controls and policies.

The Board has access to executive management, and key executive managers are invited to attend and participate in appropriate sessions of Board meetings.

BOARD COMPOSITION

The Company's constitution governs the composition of the Board and states that there shall be no more than nine Directors, nor fewer than six, and no member or employee of any Shareholder Local Authority may hold office as a Director.

The Board currently comprises just five non-executive Directors, due to a sudden illness, of which all are classified as independent. The Shareholder has advised the Board it is in the process of appointing a sixth director. Alasdair MacLeod is the Chairman of the Board of Directors.

CONFLICT OF INTEREST

Where any Napier Port Director has a conflict of interest or is otherwise interested in any transaction, that Director is required to disclose his or her conflict of interest to the Company, and thereafter will normally not be able to participate in the discussion, nor vote in relation to the relevant matter. The Company maintains a register of disclosed interests.

BOARD AND COMMITTEE MEETINGS

The following table outlines the number of scheduled meetings attended during the course of the 2015 financial year. In addition to the scheduled Board meetings, Directors have also met with management on a range of matters during the year.

Meeting type	Board	Audit & Risk	Remuneration	Health & Safety	Strategy & Planning
Meetings held	11	3	2	3	1
A MacLeod	11	2	2	3	1
J Scotland*	3	3	1	-	-
J Nichols	11	3	-	-	1
J Loughlin	11	3	-	3	1
P Harper*	3	2	-	-	-
J Shaskey**	10	1	1	-	1
W Harvey	11	1	2	3	1
S Bradford***	7	1	-	2	1

* Retired in December 2014

** Apologies for 1 meeting due to uncontrollable circumstances

*** Apologies for 1 meeting due to other commitments



The Board of Directors has established three Committees for Audit & Risk, Health & Safety and Remuneration. The Chairman appoints the Chairs of these Committees.

AUDIT & RISK MANAGEMENT COMMITTEE

The Audit & Risk Management Committee operates under a Charter, which requires it to assist the Board in fulfilling its responsibilities to discharge its financial reporting and regulatory responsibilities, ensure the ability and independence of the external auditor to carry out its statutory audit role is not impaired, ensure an effective internal audit and internal control system is maintained and ensure an appropriate framework is maintained for the management of strategic and operational risk. The Charter is approved by the Board and reviewed annually.

AUDIT & RISK MANAGEMENT COMMITTEE:

J Nichols	Chairman
J Loughlin	Director
S Bradford	Director

REMUNERATION COMMITTEE

The Remuneration Committee operates under a Charter, which requires it to assist the Board in fulfilling its responsibilities, to appoint, remunerate and evaluate the Chief Executive and review remuneration recommendations of the Chief Executive for senior executives and make recommendations on any incentive plan for the Senior Management Group. The Charter is approved by the Board and reviewed annually.

REMUNERATION COMMITTEE:

A Macleod	Chairman
W Harvey	Director
S Bradford	Director

HEALTH & SAFETY COMMITTEE

The Health & Safety Committee was established to oversee the transition to a new Health and Safety legislative and regulatory framework. In particular, the Company recognises its responsibilities as the 'person conducting a business undertaking' on a multi-use site.

The Committee operates under a Charter, requiring it to assist the Board in fulfilling its responsibilities in ensuring an appropriate framework is maintained for the management of the Company's strategic and operational health and safety risks during Health and Safety reform. The Charter is approved by the Board and reviewed annually. Following transition to the new Health and Safety at Work Act, the Committee's responsibilities will be reviewed and may revert to the wider Board.

HEALTH & SAFETY COMMITTEE:

W Harvey	Chairman
J Loughlin	Director
S Bradford	Director

BOARD PERFORMANCE

The Board has included in its Charter, a requirement to conduct a biennial review of the Board, Board Committees and individual Directors.

RISK MANAGEMENT

The Board and Senior Management are committed to managing risk to protect our people, the environment, financial business risks, Company assets and our reputation.

The Company has a comprehensive risk management system in place which is used to identify and manage all business risks. The system identifies the key risks facing the Company and the status of initiatives employed to reduce them. Management report to the Board six monthly, on the effectiveness of the Company's management of material risks. As part of risk management the Port also has a comprehensive Treasury Policy that sets out procedures to minimise financial market risk.

The Chief Executive and Chief Financial Officer have confirmed in writing to the Audit & Risk Management Committee that the Company's financial statements are in accordance with the accounting standards.

CODE OF ETHICS

Napier Port requires the highest standards of honesty and integrity from its Directors, Management and employees. A Code of Ethics has been developed and approved by the Board, which sets out the ethical and behavioural standards and professional conduct expected by the Company's Directors, Senior Management Team and employees.

DIRECTORS' REPORT

The Directors take pleasure in presenting their Report and Financial Statements of the Port of Napier Limited for the year ended 30 September 2015.

PRINCIPAL ACTIVITIES

The Company's principal activities remain the commercial operation of Napier Port. There has been no significant change in the nature of the Company's business during the year.

FINANCIAL RESULTS

The Financial Statements attached to this report form part of and should be read in conjunction with this report. The Directors consider there are no unusual or other matters, which warrant their comment other than those discussed, and the Company's situation is clearly stated by the Financial Statements.

The surplus of Port of Napier Limited for the year, after deduction of taxation was \$12.928 million (2014: \$13.433 million).

DIVIDENDS

During the year the 2014 final dividend of \$3.496 million and the 2015 interim dividend of \$3.901 million were paid totalling \$7.397 million.

DIRECTORS

In accordance with the Company's Constitution, W Harvey retires by rotation and being eligible, offers herself for re-election.

REMUNERATION OF DIRECTORS

Remuneration paid to Directors during the year was as follows:

A MacLeod (Chairman)		
	(appointed 15 December 2014)	\$71,751
J Scotland (Chairman)		
	(retired 15 December 2014)	\$19,500
S Bradford (appointed 15 December 2014)		\$33,000
P Harper (retired 15 December 2014)		\$10,251
J Nichols (Chair of Audit & Risk Management Committee)		\$46,251
J Loughlin		\$43,251
J Shaskey (retired 31 August 2015)		\$39,586
W Harvey (Chair of Health & Safety Committee)		\$45,500

REMUNERATION OF EMPLOYEES

The number of employees whose total annual remuneration was within the specified bands is as follows:

\$100,000 - 109,999	15
\$110,000 - 119,999	17
\$120,000 - 129,999	11
\$130,000 - 139,999	4
\$150,000 - 159,999	1
\$180,000 - 189,999	1
\$190,000 - 199,999	2
\$200,000 - 209,999	4
\$210,000 - 219,999	1
\$220,000 - 229,999	3
\$240,000 - 249,999	1
\$340,000 - 349,999	1
\$570,000 - 579,999	1

The annual remuneration of employees includes salary, redundancy, short and long term performance incentive payments on achievement of targets, employer's contribution to superannuation and other sundry benefits received in their capacity as employees.

DIRECTORS' INSURANCE

The Company has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity ensures that as far as possible Directors, will not personally incur any monetary loss as a result of actions undertaken by them as Directors. The insurance does not cover liabilities arising from criminal actions.



DIRECTORS' INTERESTS

The following notices have been received from Directors disclosing their interests in other companies.

MR AJ MACLEOD

Optimal Product Limited	Chairman
Silverstripe Limited	Chairman / Shareholder
Hold Fast Investments Limited	Chairman

MS W HARVEY

Excellence in Business Solutions Limited	Director / Shareholder
Quality Roading and Services (Wairoa) Limited	Director
Centralines Limited	Director

MR S BRADFORD

Tarrawanna PTY Limited	Director / Shareholder
Yarrowonga Court PTY Limited	Director

MR JE NICHOLS

Nichols Consulting Limited	Director / Shareholder
Centralines Limited	Director
Palmerston North Airport Limited	Director
Hastings District Council Audit & Risk Sub Committee	Independent Member

MR JJ LOUGHLIN

Augusta Capital Limited & subsidiaries/associates	Director / Shareholder
Tru-Test Corporation Limited	Chairman / Shareholder
Askerne Estate Winery Limited	Chairman / Shareholder
Loughlin Viticulture and Consulting Limited	Chairman / Shareholder
Firstlight Foods NZ Limited & subsidiaries/associates	Chairman
Powerco Limited	Chairman
EastPack Limited	Director
Havelock North Fruit Company Limited	Chairman / Shareholder

USE OF COMPANY INFORMATION

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

AUDIT FEES AND OTHER SERVICES

Under Section 19 of the Port Companies Act 1988, the Auditor-General is the Auditor of the Company. The Auditor-General has appointed Ernst & Young to undertake the audit on its behalf, pursuant to Section 15 of the Public Audit Act 2001.

Fees paid to the Auditors are disclosed in the financial statements.

PERFORMANCE INDICATORS

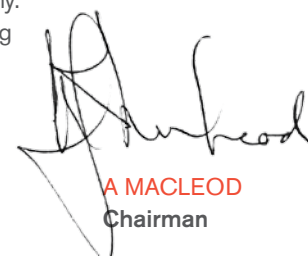
As required under Section 16 of the Port Companies Act 1988, performance indicators in the Statement of Corporate Intent are given below:


COMPARISON WITH STATEMENT OF CORPORATE INTENT

	TARGET	ACTUAL 2015
Net Debt to Net Debt plus Equity	20-40%	31%
Earnings before Interest and Tax to Interest Expense	>3 Times	4.9 Times
Earnings before Depreciation, Interest and Tax to Total Non-Current Assets	13.0%	10.6%
Operating Surplus after Tax to Shareholder's Funds	8.0%	7.0%

Earnings and operating surplus exclude the net surplus on the sale of assets.

Total non-current assets and shareholder's funds are the average of the opening and closing amounts and interest expense includes interest capitalised.


A MACLEOD
Chairman


J NICHOLS
Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		2015	2014
	Notes	\$000	\$000
Revenue from Port Operations		72,043	66,996
Revenue Other		10	20
Operating Income	4	72,053	67,016
Employee Benefit Expenses		20,998	18,020
Maintenance Expenses		8,060	7,748
Other Operating Expenses	5	13,255	11,979
Operating Expenses		42,313	37,747
Results From Operating Activities		29,740	29,269
Depreciation & Amortisation Expenses	14,15	7,590	7,185
Operating Profit Before Net Financing Costs & Taxation		22,150	22,084
Finance Income	6	(13)	(5)
Finance Expenses	6	4,179	3,614
Net Finance Costs		4,166	3,609
Share of Gain/(Loss) from Equity Accounted Investees		-	-
Profit Before Taxation		17,984	18,475
Income Tax Expense	7	5,056	5,042
Total Tax Expense		5,056	5,042
Profit for the period attributable to the Shareholder of the Company		12,928	13,433

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015



	Notes	2015 \$000	2014 \$000
Profit after Tax attributable to the Shareholder of the Company		12,928	13,433
Other Comprehensive Income			
Net effective portion of changes in fair value of cash flow hedges		(2,246)	(105)
Total comprehensive income		10,682	13,328

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	Share Capital	Revaluation Reserve	Hedging Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000
BALANCE AS AT 1 OCTOBER 2014		21,000	62,008	(864)	101,450	183,594
Profit after Tax attributable to the Shareholder of the Company		–	–	–	12,928	12,928
Net effective portion of changes in fair value of cash flow hedges		–	–	(2,246)	–	(2,246)
Total comprehensive income		–	–	(2,246)	12,928	10,682
Dividends	9	–	–	–	(7,397)	(7,397)
Total transactions with the Owner in their capacity as owner		–	–	–	(7,397)	(7,397)
Total movement in equity		–	–	(2,246)	5,531	3,285
BALANCE AS AT 30 SEPTEMBER 2015	10	21,000	62,008	(3,110)	106,981	186,879



	Notes	Share Capital	Revaluation Reserve	Hedging Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000
BALANCE AS AT 1 OCTOBER 2013		21,000	62,008	(7,59)	95,010	177,259
Profit after Tax attributable to the Shareholder of the Company		–	–	–	13,433	13,433
Net effective portion of changes in fair value of cash flow hedges		–	–	(105)	–	(105)
Total comprehensive income		–	–	(105)	13,433	13,328
Dividends	9	–	–	–	(6,993)	(6,993)
Total transactions with owners in their capacity as owners		–	–	–	(6,993)	(6,993)
Total movement in equity		–	–	(105)	6,440	6,335
BALANCE AS AT 30 SEPTEMBER 2014	10	21,000	62,008	(864)	101,450	183,594

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

		2015	2014
	Notes	\$000	\$000
EQUITY			
Share Capital	10	21,000	21,000
Reserves	10	58,898	61,144
Retained Earnings		106,981	101,450
		186,879	183,594
NON-CURRENT LIABILITIES			
Loan - Westpac Banking Corporation	21	84,000	62,500
Deferred Tax Liability	7	17,757	17,742
Derivative Financial Instruments	21	3,728	793
Provisions for Employee Entitlements	13	364	322
		105,849	81,357
CURRENT LIABILITIES			
Cash and Cash Equivalents	18,21	270	253
Taxation Payable		1,540	1,550
Derivative Financial Instruments	21	848	736
Trade and Other Payables	12	6,129	7,663
		8,787	10,202
		301,515	275,153



		2015	2014
	Notes	\$000	\$000
NON-CURRENT ASSETS			
Property, Plant and Equipment	15	288,652	260,024
Intangible Assets	14	1,224	911
Derivative Financial Instruments	21	39	222
Investment in Equity Accounted Investees	17	694	79
Investment Properties	16	2,850	7,190
		293,459	268,426
CURRENT ASSETS			
Cash and Cash Equivalents	18,21	1	1
Trade and Other Receivables	11	7,755	6,473
Derivative Financial Instruments	21	217	86
Inventories		83	167
		8,056	6,727
		301,515	275,153

On behalf of the Board of Directors, who authorised the issue of these Financial Statements on 16 November 2015.

A MACLEOD
Chairman

J NICHOLS
Director

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		73,266	68,909
		73,266	68,909
Cash was applied to:			
Payments to Suppliers and Employees		(43,283)	(36,506)
Interest Paid		(4,235)	(3,829)
GST Paid (Net)		175	(251)
Taxes Paid		(5,052)	(4,945)
		(52,395)	(45,531)
Net Cash Flows from Operating Activities		20,871	23,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Assets		89	215
		89	215
Cash was applied to:			
Investment in Associate		(615)	(79)
Purchase of Assets		(34,465)	(19,169)
		(35,080)	(19,248)
Net Cash Flows Used in Investing Activities		(34,991)	(19,033)

The accompanying notes form an integral part of these financial statements.



	Notes	2015 \$000	2014 \$000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from Loan		21,500	2,500
Cash was applied to:			
Repayment of Loans		–	–
Dividends Paid		(7,397)	(6,993)
		(7,397)	(6,993)
Net Cash Flows Used in Financing Activities		14,103	(4,493)
Total Movements in Cash Balances		(17)	(148)
Cash and Cash Equivalents at Beginning of Year			
Cash Balances		1	1
Bank Balance		(253)	(105)
		(252)	(104)
Cash and Cash Equivalents at End of Year			
Cash Balances		1	1
Bank Balance		(270)	(253)
	18	(269)	(252)

The accompanying notes form an integral part of these financial statements.

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 \$000	2014 \$000
RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus after Taxation		12,928	13,433
Add non-cash items:			
Fair Value (Gains)/Losses		843	(579)
Depreciation and Amortisation		7,590	7,185
Deferred Tax		14	299
		8,447	6,905
(Deduct)/Add Other Adjustments:			
Net (Profit)/Loss on Sale of Property, Plant and Equipment		(2)	46
Increase in Non-Current Provisions		42	11
		40	57
Movements in Working Capital:			
Increase/(Decrease) in Accounts Payable		654	2,228
Decrease/(Increase) in Receivables		(1,282)	627
Decrease in Inventories		84	128
		(544)	2,983
Net Cash Inflow from Operating Activities		20,871	23,378

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015



1. REPORTING ENTITY

Port of Napier Limited ("the Company" or "the Port") was incorporated in accordance with the Port Companies Act 1988 and is domiciled in New Zealand.

Port of Napier Limited is involved in providing and managing port services and cargo handling facilities.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards.

BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis, except for Sea Defences, investment properties and derivative financial instruments, which are measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$'000).

USE OF JUDGMENTS AND ESTIMATES

In the application of NZ IFRS management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have a significant effect on the amount recognised in the financial statements are as follows:

- Valuation of sea defences (Note 15)
- Valuation of investment property (Note 16)
- Valuation of financial instruments (Note 21)
- Provisions (Note 13)
- Estimation of useful lives (policy on depreciation)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

PROPERTY, PLANT AND EQUIPMENT

Sea Defences are measured at fair value, based on periodic valuations by suitably qualified and experienced professionals. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value. Differences between the valuations and the preceding carrying values are taken to the revaluation reserve. If the net balance of a revaluation reserve was to become a debit this would be charged to the income statement.

All other assets are accounted for at the historical cost of property, plant and equipment less accumulated depreciation. This is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate amount of directly attributable costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

The Company has eleven classes of property, plant and equipment:

- Port Land
- Vehicles, Plant & Equipment
- Hard Dredging
- Soft Dredging
- Site Improvements
- Wharves & Jetties
- Other Buildings
- Cranes
- Tugs
- Cargo & Administration Buildings
- Sea Defences

SUBSEQUENT COSTS

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company. All other costs are recognised in the income statement as an expense as incurred.

DEPRECIATION

Depreciation is provided on a straight line basis on all tangible property, plant and equipment other than freehold land and hard dredging, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

Major useful lives are:	Years
Site Improvements	10-40
Wharves & Jetties	10-80
Vehicles, Plant & Equipment	3-25
Cargo & Administration Buildings	10-60
Other Buildings	10-25
Tugs	30
Soft Dredging	8
Cranes	20
Sea Defences	100-200

Land and Hard Dredging are not depreciated as they are considered to have indefinite useful lives.

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Impairment losses on revalued assets are taken to the revaluation reserve. If the net balance of a revaluation reserve was to become a debit this would be charged to the income statement.

LEASED ASSETS

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement conveys a right to use the asset.

Company as a lessee: Lease payments made under an operating lease are charged to the income statement on a straight line basis over the period of the lease.

Company as a lessor: Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Lease revenue received under an operating lease is recognised in the income statement on a straight line basis over the period of the lease.

INVESTMENT PROPERTIES

Investment properties comprise industrial land owned by the Company, which are not used in the provision of port or cargo handling services. The properties are valued at fair value without any deduction for transaction costs that may be incurred on sale or other disposal and are re-valued annually by an independent registered valuer. Depreciation is not charged on the buildings. Any gain or loss arising from a change in the fair value of the investment properties is recognised in the income statement.

INVESTMENT IN JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company accounts for its joint venture interest in the financial statements using the equity method

which requires the initial investment to be recognised at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the investee. The profit or loss of the Company includes its share of the profit or loss of the investee.

INTANGIBLE ASSETS

Computer Software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and it is probable they will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Major useful lives are:	Years
Computer Software	3-10

RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, after providing against debts where collection is no longer probable. Bad debts are written off when identified.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The cost of maintenance spares is determined on a weighted average basis. The carrying amount of inventory includes an appropriate allowance for obsolescence and deterioration.



PAYABLES

Payables are initially recorded at fair value and subsequently at amortised cost. However, due to their short term nature they are not discounted. The balance represents liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid.

EMPLOYEE ENTITLEMENTS

Employee entitlements consist of salaries, wages and performance payments, annual leave, long service leave and other benefits. Liabilities for wages, salaries and performance payments, including annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The Board of Directors have approved the establishment of a performance incentive scheme for staff. The purpose of this scheme is to create additional shareholder wealth by focusing all staff on safety, business growth and improved target earnings. Payments are only made if the Board of Directors' approved non-financial and EBIT targets are achieved.

The liability for long service leave is recognised and measured at the present value of the expected future entitlements to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

TERM DEBT

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of the loan facility are amortised over the term of the loan.

INCOME TAX AND OTHER TAXES

The income tax expense charged to the income statement includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or payable to the IRD based on the taxable income for the current period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets or liabilities does not affect either accounting or taxable profit. The amount of deferred tax provided is based on using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

OTHER TAXES

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.



CASH FLOW STATEMENT

The following definitions have been used for the preparation of the cash flow statement:

- Cash means cash on deposit with banks, on call borrowing and bank overdraft;
- Investing activities comprise the purchase and sale of property, plant and equipment, investment properties and investments;
- Financing activities comprise the change in equity and debt capital structure of the Company and the payment of dividends; and
- Operating activities include all transactions and events that are not investing or financing activities.

REVENUE

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental revenue is accounted for on a straight line basis over the period of the lease term.

PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required. Provisions are measured at the present value or management's best estimate of the amount required to settle the obligation.

DIVIDENDS

Provision is made for dividends only where they have been approved by the Board of Directors, but are unpaid at balance date.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Where the Company determines it will hedge a transaction the Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Company also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity through the hedging reserve. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecasted transaction occurs.

The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting and changes in the fair value of these instruments are recognised immediately in the income statement.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these are included in the income statement.



FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, credit risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

The Company enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant, and equipment and when payment is denominated in foreign currency.

Interest rate swaps are entered into to manage interest rate exposure.

The Company has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security is not required for financial instruments subject to credit risk.

Refer also to Note 21 Financial Instruments.

NEW STANDARDS ADOPTED AND PRONOUNCEMENTS NOT YET ADOPTED


The Company has not elected to early adopt any new standards or interpretations that are issued but not yet effective and no amendments or revisions to NZ IFRS have had a material impact on these financial statements.

There are a number of new standards, amendments to standards and interpretations, which have been issued but are not effective until after 1 October 2014. None of these are expected to have any significant effect on the financial statements of the Company other than by way of additional disclosure, they include:

- NZ IFRS 9 Financial Instruments. The standard becomes mandatory for the Company's 2019 financial statements and could change the classification and measurement of financial assets. The Company has not yet determined the potential impact of this standard.
- NZIFRS 15 Revenue From Contracts With Customers. This new standard applies to contracts with customers and is currently effective for annual periods after 1 January 2018. The Company is currently in the process of evaluating the potential effect of this standard.

CHANGES IN ACCOUNTING POLICIES

All policies have been applied on a consistent basis with the previous year.



	Notes	2015 \$000	2014 \$000
4. REVENUE			
Port Operations		72,043	66,996
Property Operations	16	10	20
Operating Income		72,053	67,016

5. OTHER EXPENSES

ITEMS INCLUDED WITHIN OTHER OPERATING EXPENSES

Auditor Remuneration - Audit Fees		104	104
Auditor Remuneration - Non-Audit Services		42	6
Directors' Fees		309	304
Operating Leases		218	219
Bad Debts		–	–
Fair Value (Gain)/Loss on Investment Property	16	(10)	(503)
Net (Profit)/Loss on Sale of Property, Plant and Equipment		(2)	46

6. FINANCIAL INCOME AND EXPENSES

Interest Income		(13)	(5)
Finance Income		(13)	(5)
Interest Expense on Borrowings		4,200	3,705
		4,200	3,705
Fair Value (Gain)/Loss on Interest Rate Swaps		(21)	(91)
Finance Expenses		4,179	3,614
Net Finance Costs		4,166	3,609



	2015	2014
	\$000	\$000
7. TAXATION		
Income Tax on the Surplus for the Year at 28.0 cents (2014: 28.0 cents)	5,035	5,173
Adjustment to Prior Year Taxation	(1)	(3)
Taxation Effect of Non-deductible items	22	(128)
Income Tax Expense	5,056	5,042
The Taxation charge is represented by:		
Current Taxation	4,191	4,700
Deferred Taxation	865	342
Income Tax Expense Reported in the Income Statement	5,056	5,042
DEFERRED TAX LIABILITY		
Balance 1 October	(17,742)	(17,443)
Adjustment Prior Year Provision	(23)	2
Deferred Portion of Current Year Tax Expense	(865)	(342)
Amounts Charged or Credited Direct to Equity	873	41
Balance 30 September	(17,757)	(17,742)
Deferred Taxation is represented by:		
Property, Plant & Equipment	(9,909)	(9,045)
Fair Value (Gains)/Losses on Derivatives	1,209	336
Revaluation of Sea Defences	(9,670)	(9,652)
Other	613	619
	(17,757)	(17,742)
IMPUTATION CREDIT ACCOUNT		
Balance 30 September	18,690	19,035

	2015	2014
	\$000	\$000

8. OPERATING LEASES

Leases as a lessee

At balance date the Company had the following Operating Lease Commitments

Payable within one year	91	115
Between one and two years	11	78
Between two and five years	4	–
Over five years	–	–
	106	193

9. DIVIDENDS

2015 Interim Dividend Paid - 18.58 cents per share (2014: 17.94 cps)	3,901	3,767
2014 Final Dividend Paid - 16.65 cents per share (2013: 15.36 cps)	3,496	3,226
	7,397	6,993

10. CAPITAL AND RESERVES

SHARE CAPITAL

Issued and Paid Up

21,000,000 ordinary shares (2014: 21,000,000 shares)	21,000	21,000
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All Ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up.

HEDGE RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

(3,110)	(864)
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REVALUATION RESERVE

The revaluation reserve relates to the revaluation of the Port Sea Defences.

62,008	62,008
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	2015	2014
	\$000	\$000
11. TRADE AND OTHER RECEIVABLES		
Trade Receivables	6,520	5,057
Accruals and Prepayments	1,235	1,416
	7,755	6,473

The ageing of trade receivables at reporting dates is set out below:

Not past due	5,439	4,386
Past due 0 - 30 days	680	544
Past due 30 - 60 days	160	80
Past due > 60 days	241	47
	6,520	5,057

The Receivables carrying value is equivalent to the current fair value given their short term nature. No receivables past due are considered impaired.

12. TRADE AND OTHER PAYABLES

Trade Accounts	1,922	1,884
Trade Accruals	1,224	3,150
Employee Entitlement Accruals	2,983	2,629
	6,129	7,663

The Accounts Payable carrying value is equivalent to the current fair value. Employee Entitlement Accruals also include staff performance incentive payments due.

	2015 \$000	2014 \$000
13. PROVISIONS FOR EMPLOYEE ENTITLEMENTS		
Non-Current		
Provision for Employee Entitlements	364	322
	364	322
Provision for Non-Current Employee Entitlements		
Balance at beginning of year	322	311
Additional provision made	70	30
Amount utilised	(28)	(19)
Balance at end of year:		
Current	-	-
Non-Current	364	322

The provision for employee entitlements relates to employee benefits such as gratuities and long service leave. The provision is affected by a number of estimates, including the expected length of service of employees, the timing of benefits being taken and also the expected increase in remuneration and inflation effects. Most of the liability is expected to be incurred over the next 2-3 years.

14. INTANGIBLE ASSETS

	Opening Cost \$000	Additions \$000	Transfer/ Disposals \$000	Closing Cost \$000	Opening Accum Amortisation \$000	Current Year Amortisation \$000	Transfer/ Disposals \$000	Closing Accum Amortisation \$000	Book Value \$000
2015									
Computer Software	4,439	541	-	4,980	3,528	228	-	3,756	1,224
2014									
Computer Software	3,596	843	-	4,439	3,320	208	-	3,528	911



15. PROPERTY, PLANT AND EQUIPMENT

	Opening Cost/ Valuation	Additions	Transfer/ Disposals	Closing Cost/ Valuation	Opening Accum Depreciation	Current Year Depreciation	Transfer/ Disposals	Closing Accum Depreciation	Book Value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015									
Port Land	29,943	141	4,325	34,409	–	–	–	–	34,409
Sea Defences	76,527	–	–	76,527	652	326	–	978	75,549
Cargo & Administration Buildings	17,501	5,272	–	22,773	6,023	471	–	6,494	16,279
Tugs	24,098	–	–	24,098	2,208	395	–	2,603	21,495
Site Improvements	44,024	12,634	25	56,683	15,657	1,462	–	17,119	39,564
Hard Dredging	4,814	2,933	–	7,747	–	–	–	–	7,747
Soft Dredging	4,613	1,154	–	5,767	2,757	433	–	3,190	2,577
Other Buildings	3,601	62	(10)	3,653	1,841	105	(10)	1,936	1,717
Wharves & Jetties	43,643	1,158	–	44,801	6,956	560	–	7,516	37,285
Cranes	23,649	–	–	23,649	7,161	1,131	–	8,292	15,357
Vehicles, Plant & Equipment	36,541	6,113	(423)	42,231	18,076	2,479	(337)	20,218	22,013
Work in Progress	12,401	32,267	(30,008)	14,660	–	–	–	–	14,660
	321,355	61,734	(26,091)	356,998	61,331	7,362	(347)	68,346	288,652
2014									
Port Land	29,943	–	–	29,943	–	–	–	–	29,943
Sea Defences	76,527	–	–	76,527	326	326	–	652	75,875
Cargo & Administration Buildings	17,481	20	–	17,501	5,313	710	–	6,023	11,478
Tugs	24,098	–	–	24,098	1,812	396	–	2,208	21,890
Site Improvements	43,630	394	–	44,024	14,461	1,196	–	15,657	28,367
Hard Dredging	4,814	–	–	4,814	–	–	–	–	4,814
Soft Dredging	4,613	–	–	4,613	2,297	460	–	2,757	1,856
Other Buildings	3,579	22	–	3,601	1,726	115	–	1,841	1,760
Wharves & Jetties	42,603	1,040	–	43,643	6,404	552	–	6,956	36,687
Cranes	13,646	11,503	(1,500)	23,649	7,428	1,033	(1,300)	7,161	16,488
Vehicles, Plant & Equipment	32,654	4,202	(315)	36,541	16,141	2,188	(253)	18,076	18,465
Work in Progress	11,258	19,169	(18,026)	12,401	–	–	–	–	12,401
	304,846	36,350	(19,841)	321,355	55,908	6,976	(1,553)	61,331	260,024

During the year the Company borrowed funds for the acquisition of new Property, Plant & Equipment. Interest incurred during the acquisition period of \$352,000 at rates of 3.65% to 4.65% (2014: \$138,000).

Sea Defences were revalued in 2012 by independent valuer Rob Kilgour (MTech, BE, CPEng, MIPENZ) of AECOM as sub consultant to Darroch Ltd. As at September 2015 the Company commissioned Beca Ltd to complete a visual condition assessment of the eastern and northern breakwater and provide an updated replacement cost estimate of the selected assets. Having taken into consideration the outcomes of the review the Company deemed that no impairment of the asset had occurred over the past 3 years and that the carrying value in the financial accounts was not materially different than the current depreciated replacement value.

	2015	2014
	\$000	\$000
16. INVESTMENT PROPERTIES		
Land and Building	7,190	7,190
Balance at beginning of year	7,190	6,660
Transfer to Property, Plant & Equipment	(4,350)	–
Net Gain from Fair Value Adjustments	10	530
Balance at end of year	2,850	7,190

As at 30 September 2015 the Port's interest in investment properties was valued at \$2,850,000, resulting in a \$10,000 increase over the last 12 months. This valuation was undertaken by Frank Spencer a registered valuer with Logan Stone Limited using the fair value basis under the highest and best use scenario. Mr Spencer is a member of the New Zealand Institute of Valuers. As at 31 March the Thames St property had been redesignated Property Plant & Equipment and transferred at the 30 September 2014 valuation (\$4,350,000). This property has become an expansive off-port empty container storage facility to supplement the on-port facilities and is now considered to be a core element of the Port operations.

The following amounts have been recognised in the income statement:

Rental Income	10	20
Direct operating expenses arising from investment properties that generate rental income	(4)	(18)



17. INVESTMENT IN JOINT VENTURE

	2015	2014
	\$000	\$000
Investment in Joint Venture	694	79

MOVEMENTS IN THE CARRYING VALUE OF JOINT VENTURE

Opening balance	79	–
New Investment	615	79
Share of Recognised Revenues and Expenditure	–	–
Balance at end of year	694	79

SUMMARISE FINANCIAL INFORMATION OF JOINT VENTURE

Assets	2,082	237
Liabilities	–	–
Net Assets 100%	2,082	237
Port of Napier Limited share (33.33%)	694	79
Revenues	–	–
Net Profit after Tax	–	–
Port of Napier Limited share (33.33%)	–	–

On 13 August 2014 Port of Napier Limited acquired a 33.3% shareholding in Longburn Intermodal Freight Hub Limited, with Ports of Auckland Limited 33.3% and Icepak New Zealand Limited holding the remaining 33.3%. Longburn Intermodal Freight Hub Limited has been set up as a joint venture by the parties to develop and operate a facility at Longburn near Palmerston North to provide container storage and logistics solutions. The joint venture agreement provides for development funding, by way of shareholder advances approved by general resolutions.

18. CASH AND CASH EQUIVALENTS

Cash	1	1
Bank Overdraft	(270)	(253)
Reconciled to Cash Flow Statement	(269)	(252)

19. RELATED PARTY TRANSACTIONS

	2015	2014
	\$000	\$000

TRANSACTIONS

During the year the Company paid amounts to a related party. The Directors believe these transactions were on normal commercial terms.

Related Party	Nature of Transactions	Value of Transactions	
Hawke's Bay Regional Council	Rates, Levies & Resource Consents	5	60
	Subvention Payment	562	24
	Consultancy Contribution	25	29
Hawke's Bay Regional Investment Company	Dividends	7,397	6,993
	Subvention Payment	149	109

The Company was a wholly owned subsidiary of the Hawke's Bay Regional Council up until 27 June 2012 at which time it became a wholly owned subsidiary of the Hawke's Bay Regional Investment Company Limited. The amounts owing to the related party are paid in accordance with the Company's normal commercial terms of trade. No related party debts have been written off or forgiven during the year. Certain directors of the Company are also directors of other companies with whom the Company transacts. All such transactions are on normal commercial terms.

KEY MANAGEMENT COMPENSATION

Compensation of the Directors and executives, being the key management personnel is as follows:

Short-term employee benefits	2,291	1,955
	2,291	1,955

20. CAPITAL EXPENDITURE COMMITMENTS & CONTINGENCIES

Capital Expenditure Commitments:

At balance date there were commitments in respect of contracts for plant capital expenditure totalling \$2,240,000 (2014 \$15,733,000).

In February 2015 the Company entered into a contract with Gottwald Port Technology GmbH for the purchase and supply of two mobile harbour cranes at a cost of \$10.5 million. These cranes are to be delivered to the Company in October 2015 and go into service December 2015. The Company has put in place foreign exchange contracts to mitigate exchange rate risk.

Contingent Liabilities:

There were no material contingent liabilities at balance date (2014: Nil).



21. FINANCIAL INSTRUMENTS

CREDIT RISK

In the normal course of its business the Company incurs credit risk from accounts receivable, bank balances and interest rate swap agreements. There is no significant concentration of credit risk and the Company has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The Company's maximum credit risk exposure are as disclosed elsewhere in the statement of financial position and there is no collateral held.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Company's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities:

Contractual Maturity Analysis

	Carrying Amount \$000	Cash Flows to Maturity \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
2015						
Trade and other payables	1,922	1,922	1,922	–	–	–
Bank borrowings	84,000	89,616	3,276	26,340	60,000	–
Interest rate swaps	4,537	5,152	1,078	1,047	2,385	642
Forward exchange contracts	(217)	2,007	2,007	–	–	–
	90,242	98,697	8,283	27,387	62,385	642
2014						
Trade and other payables	1,884	1,884	1,884	–	–	–
Bank borrowings	62,500	68,680	2,906	5,309	60,465	–
Interest rate swaps	1,308	1,454	575	294	504	81
Forward exchange contracts	(86)	2,922	2,922	–	–	–
	65,606	74,940	8,287	5,603	60,969	81

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

INTEREST RATE RISK

The Company from time to time utilises interest rate caps and swaps to manage interest rate exposures for future periods. As at 30 September the notional principal amounts (including forward starting swaps), and the expiry period of the contracts, are as follows:

	2015 \$000	2014 \$000
Less than 1 Year	–	10,000
1 - 2 Years	6,000	–
2 - 3 Years	24,000	6,000
Greater than 3 Years	104,500	68,500
	134,500	84,500

Interest rate swaps are recognised in the statement of financial position at their fair value, which includes any accrued interest at that date. The effective portion of the changes in the fair value of an interest rate swap is initially recognised in the hedging reserve, and subsequently transferred to the income statement at the point at which time the swap is settled. Any ineffective portion of an interest rate swap is recognised immediately in the income statement.

INTEREST RATE SENSITIVITY ANALYSIS

At reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) post tax profit or loss and other comprehensive income by the amounts shown below.

Interest Rate

	Profit or Loss		Other Comprehensive Income	
	100bp Increase \$000	100bp Decrease \$000	100bp Increase \$000	100bp Decrease \$000
Interest Rate Swaps	–	–	3,393	(3,672)
30 September 2015	–	–	3,393	(3,672)
Interest Rate Swaps	12	(12)	2,516	(2,699)
30 September 2014	12	(12)	2,516	(2,699)



CURRENCY RISK

The Company undertakes transactions denominated in foreign currencies from time to time and exposure in foreign currencies arise resulting from these activities. It is the Company's policy to hedge foreign currency risks as they arise. The Company uses forward and spot foreign exchange contracts to manage their exposures.

Foreign exchange contracts are recognised in the statement of financial position at their fair value. The effective portion of the changes in the fair value of foreign exchange contracts is initially recognised in the hedging reserve, and subsequently transferred to the income statement at the point at which the purchase and associated creditor are recorded. Any ineffective portion of foreign exchange contracts is recognised immediately in the income statement.

The summary of foreign exchange instruments outstanding at balance date and the contracted terms are as follows:

Foreign Exchange Contracts Maturity Analysis

	NZD Amount \$000	Currency Amount \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000
2015					
EUR	1,950	1,198	1,198	–	–
CAD	57	49	49	–	–
AUD	–	–	–	–	–
	2,007				
2014					
EUR	–	–	–	–	–
CAD	554	486	486	–	–
AUD	2,368	2,182	2,182	–	–
	2,922				

Foreign Exchange Sensitivity Analysis

At reporting date, a 10% strengthening or weakening of the New Zealand dollar against the CAD and EUR with all other variables held constant, would increase/(decrease) other comprehensive income by the amounts shown below. There would be no material changes to profit and loss values.

Foreign Currency

	Profit or Loss		Other Comprehensive Income	
	10% NZD Increase \$000	10% NZD Decrease \$000	10% NZD Increase \$000	10% NZD Decrease \$000
30 September 2015	–	–	(211)	263
30 September 2014	–	–	(272)	333

	2015	2014
	\$000	\$000
CREDIT FACILITIES		
At balance date the Company had total bank facilities of:		
Overdraft	1,000	1,000
Multi option credit facilities	110,000	110,000
Total	111,000	111,000

At balance date the Company usage of the bank facilities was:		
Overdraft	270	253
Multi option credit facilities	84,000	62,500
Total	84,270	62,753

The Company has two multi option credit facilities with Westpac, one for \$50 million expiring 1 October 2016 and the other for \$60 million expiring 1 October 2017. The facility gives the Company the option to raise money on the money market, through wholesale advances or a fixed rate advance for all or any part of the commitment expiring on a date no later than the termination date. Security is by way of a negative pledge over the assets of the Company in respect of both sale of such assets and other security interests.

FINANCIAL ASSETS AND LIABILITIES

Financial Assets

Financial Assets at Fair Value - Cash Flow Hedges

Interest rate swaps	39	222
Forward foreign exchange contracts	217	86
	256	308

Loans and Receivables

Cash	1	1
Receivables	6,520	5,057
	6,521	5,058
Total Financial Assets	6,777	5,366



	2015	2014
	\$000	\$000
Financial Liabilities		
Financial Liabilities at Fair Value - Cash Flow Hedges		
Interest rate swaps	4,576	1,530
Forward foreign exchange contracts	–	–
	4,576	1,530
Financial Liabilities at Amortised Cost		
Overdraft	270	253
Trade payables	1,922	1,884
Loan	84,000	62,500
	86,192	64,637
Total Financial Liabilities	90,768	66,167

The fair value of all derivatives are based on indicative market valuations provided by the Company's bankers. The carrying value of all financial assets and liabilities is equal to the fair value.

ESTIMATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy is:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

All financial instruments recognised on the Company's statement of financial position at fair value sit within Level 2.



CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base, which the Company defines as total shareholders equity, so as to maintain shareholder and banker confidence, and to sustain the future business development of the Company. The Company has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times, that the debt to debt plus equity ratio is to be maintained within a range of 20% to 40% and total committed funding to maximum debt over the next 12 months should not fall below a minimum of 110 per cent.

The Company is required to comply with certain financial covenants in respect of external borrowings namely that interest cover is to be maintained at a minimum of three times, shareholders funds as a percentage of total tangible assets must exceed 45% at all times and debt must not exceed 3.5 times Earnings before interest, tax, depreciation and amortisation (EBITDA). The Company has met all the covenants throughout the current reporting period.

22. EVENTS SUBSEQUENT TO BALANCE DATE

2015

Nil

2014

Nil

AUDITOR'S REPORT

TO THE READERS OF PORT OF NAPIER LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015



Chartered Accountants

The Auditor-General is the auditor of Port of Napier Limited (the company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young to carry out the audit of the financial statements of the company on her behalf.

OPINION

We have audited the financial statements of the company on pages 38 to 66, that comprise the statement of financial position as at 30 September 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the company:

- present fairly, in all material respects:
 - its financial position as at 30 September 2015; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 16 November 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

AUDITOR'S REPORT CONTINUED

TO THE READERS OF PORT OF NAPIER LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of providing technical support and facilitation to the Directors development of a risk assessment, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company.



STUART MUTCH

Ernst & Young

On behalf of the Auditor-General
Wellington, New Zealand



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